



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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October 27, 1994

Milton Derrick  
Umetco Minerals Corporation  
P.O. Box 1029  
Grand Junction, Colorado 81502

Kenneth Webber  
U.S. Energy Corporation  
877 North 8th West  
Riverton, Wyoming 82501

RE: Acreage Discrepancy, Velvet Mine M/037/040, San Juan County, Utah

Dear Mr. Derrick and Mr. Webber:

The matter of the replacement surety being posted by US Energy Corporation for the Velvet Mine was presented at the October 26, 1994 Board of Oil, Gas and Mining Briefing Session. This operation is being transferred from Umetco Minerals to US Energy Corporation. The Board approved of the replacement surety, on the condition that an acreage discrepancy regarding the disturbed area could be clarified to their satisfaction.

A review of Division files indicates that the original NOI (mine permit) has been amended twice. The total disturbed acreage listed in the mine file after these amendments was **21.9** acres. A different figure of **27.9** acres first appears in the surety bond form associated with the permit transfer from Atlas Minerals to Umetco, received in November 1988. The actual transfer forms listed 21.9 acres of disturbance. All documents provided subsequent to this transfer list the site as 27.9 acres. No correspondence could be found in the files explaining the increase in acreage from 21.9 acres to 27.9 acres. For this reason, and the visual similarity in the two figures, we believe the 27.9 acre figure is a result of a typographical error which has inadvertently been carried over through the years.

In order to correct this situation and satisfy the Board's concerns, the Division proposes changing the disturbed acreage sections of the pending documents to read **21.9** acres. These documents are: (1) the transfer form, (2) the reclamation contract, and (3) the

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Messrs. Derrick and Webber

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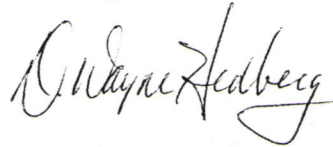
surety bond. No other changes will be made to these documents without the consent of the appropriate parties.

If both parties are in agreement with this action please confirm by affixing the appropriate corporate signatures in the spaces provided at the end of this document. Mr. Derrick, following Umetco's signature, please forward this letter to Mr. Webber of US Energy Corporation using the enclosed addressed and stamped envelope.

Mr. Webber, following US Energy Corporation's signature, please return the original signed copy to the Division using the enclosed addressed and stamped envelope. This letter will then become a part of the permitting record for any future reference and clarification.

If either party is not in agreement with this corrective action, please contact us immediately with your concerns. Thank you both for your time and assistance in this matter.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

Umetco Representative:

print name \_\_\_\_\_

title \_\_\_\_\_

signature \_\_\_\_\_

date \_\_\_\_\_

US Energy Representative:

print name \_\_\_\_\_

title \_\_\_\_\_

signature \_\_\_\_\_

date \_\_\_\_\_

jb

Enclosures: SASEs

cc: Lowell Braxton, DOGM

VELVET-A.LET